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# Electric Light & Power

THE NEWS MAGAZINE OF ELECTRIC UTILITY MANAGEMENT AND TECHNOLOGY

## OG&E is '83 Utility of Year

**Company is selected because of its solid, consistent financial performance and all-around system strength**

BARRINGTON, IL—Oklahoma Gas & Electric Co. has been selected by *Electric Light & Power* to be the recipient of its 15th annual Electric Utility of the Year award. Announcement of the company's selection was made by *EL&P* Editor-in-Chief Robert A. Lincicome.

The Oklahoma utility was selected for outstanding performance on behalf of its customers, employees and shareholders.

### The Special Report on the 1983 Utility of the Year begins on p.11

Specifically, said Lincicome, OG&E was chosen for the award because of solid financial performance in 1982 and for its continuing program to shift its fuel dependence away from locally available natural gas, as well as for aggressive conservation and load management programs, improved productivity and its efforts to get employees more personally involved in the company ownership.

Last year OG&E reported net income gains of \$26-million, or 32.9 percent, to \$105.1-million, on revenue gains of 9.9 percent to \$907.6-million. Earnings per share increased 25 percent, to \$2.57. Both system sales of electricity and the number of customers were up.

Moreover, the company's stock price rose substantially above book value, its securities were upgraded, the quality of its earnings were strengthened and the capital structure was improved.

The company's performance was

the result of hard-headed conservative management, led by Chairman and President James G. Harlow, Jr., building on decisions made by company management as long ago as 1969. In 1969, OG&E management, headed up by Donald S. Kennedy, looked at the long-term outlook for fuels and decided to shift its dependence away from natural gas to coal, despite being located right on top of one of the world's largest sources of natural gas. OG&E also decided at the time not to join the industry's swing to nuclear generation, despite what then appeared to be the promise of low generation costs.

As a result, today OG&E is involved in constructing only coal-fired additions to its baseload generating system. Moreover, that program is winding down, which has allowed the company to improve the quality of its earnings. Allowance for Funds Used During Construction has been reduced to less than 19 percent of Net Income and 69 percent of its 1982 capital requirements were provided by internal generation. Because of the improvement in the solidarity of its earnings the price of the company's stock rose to 113 percent of book value, earnings per share of common stock rose to \$2.57 and dividends to \$1.78, and the company's securities were upgraded by Standard & Poors.

Oklahoma Gas & Electric Co. is the 15th company to be selected for the annual *EL&P* award. Last year's winner was Wisconsin Electric Power Co. and the winner in 1981 was Atlantic City Electric Co.



When construction work on Muskogee 6 is completed, OG&E's baseload generation system construction program will come to a halt. The 1983 Utility of the Year award winner was 100-percent dependent on natural gas for fuel as late as early 1977, but will be approximately 50-percent coal-fired upon completion of the last Muskogee unit. A Special Report about this year's award winner, and its management team, programs and accomplishments, begins on page 11.

## Zimmer cancellation looms; CG&E mulls its options

CINCINNATI—Cincinnati Gas & Electric now admits it may have to cancel its Zimmer nuclear plant.

Accompanying the announcement that the cost of the beleaguered plant has nearly doubled—from \$1.7 billion to \$3.1 billion—the admission by CG&E that it may have to cancel the Zimmer plant brings the project nearer to becoming the first plant in U.S. nuclear power program history ever to be abandoned after virtually being completely built.

In March, 1983 CG&E senior vice president E. A. Borgmann declared "We firmly believe that the Zimmer plant is basically of sound construction and we are dedicated to seeing that it receives an operating license."

A total of \$1.5 billion has been invested in the plant so far.

Whether it gets an operating license or not now depends on a host of factors, including whether or not CG&E will be able to convince the Nuclear Regulatory Commission to lift the stop-work order imposed last November 12 after the agency discovered serious construction and quality-assurance deficiencies.

As part of its stop-work order, the NRC set out general guidelines that CG&E, as major owner and constructor of the plant, would have to follow before construction could resume. The order called for an independent management audit of CG&E, recommendations on how management

could be restructured, a review of project construction by the new management, the securing of assistance in construction by an outside consultant, and specific recommendations on how the plant could be made suitable for licensing.

Each of these steps has to be approved by the commission.

### Report submitted

In August, Torrey Pines Technology submitted its report as independent management auditor, recommending a complete management restructuring from (but not including) the president on down.

According to an NRC Region III spokesman, much of this managerial restructuring had been accomplished at CG&E before the Torrey Pines report was issued. The report also recommended the formation of a company oversight committee composed of members of the board of directors. The suggestion was aimed at assuring more direct control of construction by the company.

In October, based on the Torrey Pines report, CG&E submitted to the NRC its proposed course of action, which included many of the consultant's suggestions. CG&E, in announcing submission of its plans to proceed with construction, was careful not to preclude the possibility of cancellation.

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## U.S. energy policy: business as usual for Reagan team

WASHINGTON, D.C.—There are few surprises contained in The National Energy Policy Plan the Reagan Administration has sent to Congress.

The by-now generally understood, if not enthusiastically embraced, market approach to energy demand and supply is reiterated in the exceptionally brief document, with a very general emphasis on current legislative initiatives in the areas of natural gas and nuclear regulation.

The administration says these initiatives are particularly important in "maintaining an energy supply system that will continue to provide an adequate supply of energy at reasonable cost."

### Reagan 'committed' to decontrol

Earlier this year the administration proposed the Natural Gas Consumer Regulatory Reform Amendments of 1983. The proposal report-

edly has as its aim "ensuring consumer protection for natural gas users, deregulating natural gas prices at the wellhead by a date certain to capture the benefits of competition in the marketplace, and adjusting contract provisions entered into in a regulatory environment."

Noting that Congressional committee action has taken place in both Houses that has led to bills differing from the administration's proposal, The National Energy Policy Plan declares, "The Administration is committed to continued cooperation with Congress to achieve passage of this critically important legislation."

### Nuclear regulatory reform

The second legislative initiative that the Reagan team says is of high priority is that of reforming the nuclear licensing and regulatory pro-

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## Census Bureau documents gains in home heating by electricity

WASHINGTON, D.C.—The use of electricity to heat homes in America rose sharply during the 1970s, making it the second most widely used heating fuel by 1980, a report by the Commerce Department's Census Bureau says.

In 1970, fuel oil (including kerosene) constituted slightly more than a quarter of all the primary fuels used to heat homes, while electricity was not quite 8 percent.

During the decade, the use of electricity rose 139 percent, while fuel oil fell about 30 percent, resulting in a slight percentage edge of total usage for electricity by 1980. By then, fuel oil was 18.2 percent of total energy while electricity was 18.4 percent.

Utility gas, which dropped slightly over the decade, continues to be the major source of fuel for home heating. It was used by more than 40 million households by 1980.

More than 69 million households now have central heating, the report states. Between 1960 and 1980, the number of households with some form of air conditioning increased by about 40 million, an average increase of

5,000 a day. More than half of America's housing is now air-conditioned.

Electricity also has emerged as the most popular fuel for cooking since data were first gathered in 1940. Electricity use has risen from about 40 percent in 1970 to about 51 percent in 1980. Although utility gas is still being used for cooking in about 41 percent of occupied households, it has experienced a substantial decline since 1970.

In 1940, fuel oil was used for cooking in about 1 of every 10 households, but its use as a fuel for cooking was practically nonexistent in 1980.

Finally, the Census Bureau report found that the use of wood for primary heating rose about 2 percent over the decade from 1970 to 1980, while the use of coal declined by about the same amount.

### HOW HOME HEATING FUELS HAVE CHANGED

|                               | 1980<br>Percent | 1970<br>Percent | 1960<br>Percent | 1950<br>Percent | 1940<br>Percent |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Utility Gas                   | 53.1            | 55.2            | 43.1            | 26.6            | 11.3            |
| Bottled, Tank,<br>or L.P. Gas | 5.6             | 6.0             | 5.1             | 2.3             | —               |
| Fuel Oil,<br>Kerosene, etc.   | 18.2            | 26.0            | 32.4            | 22.6            | 10.0            |
| Electricity                   | 18.4            | 7.7             | 1.8             | 0.7             | —               |
| Coal or Coke                  | 0.6             | 2.9             | 12.2            | 34.6            | 54.7            |
| Wood                          | 3.2             | 1.3             | 4.2             | 10.0            | 22.8            |
| Other Fuel<br>or None         | 0.9             | 1.0             | 1.3             | 3.2             | 1.2             |

Source: Census Bureau, U.S. Department of Commerce.

## Energy policy . . .

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cess. Declaring that it is "...imperative that the United States maintain nuclear power as a viable energy option and an area of technical leadership," The National Energy Policy Plan concedes that consumers, public officials, industry and some regulators increasingly have come to doubt the ability of federal regulation to assure nuclear safety.

But the administration's 1983 legislative proposal on nuclear licensing reform notwithstanding, Reagan energy officials report that "the question of public confidence in nuclear safety is not simply a matter of federal responsibility."

"The federal government will continue to work cooperatively with states and localities in the development of [emergency contingency] plans, and it will do so recognizing that the task of maintaining and renewing public confidence in government regulation and control of nuclear-generated electricity is shared by officials at all levels of government and must be accomplished as a matter of providing for our general welfare," the policy report reads.

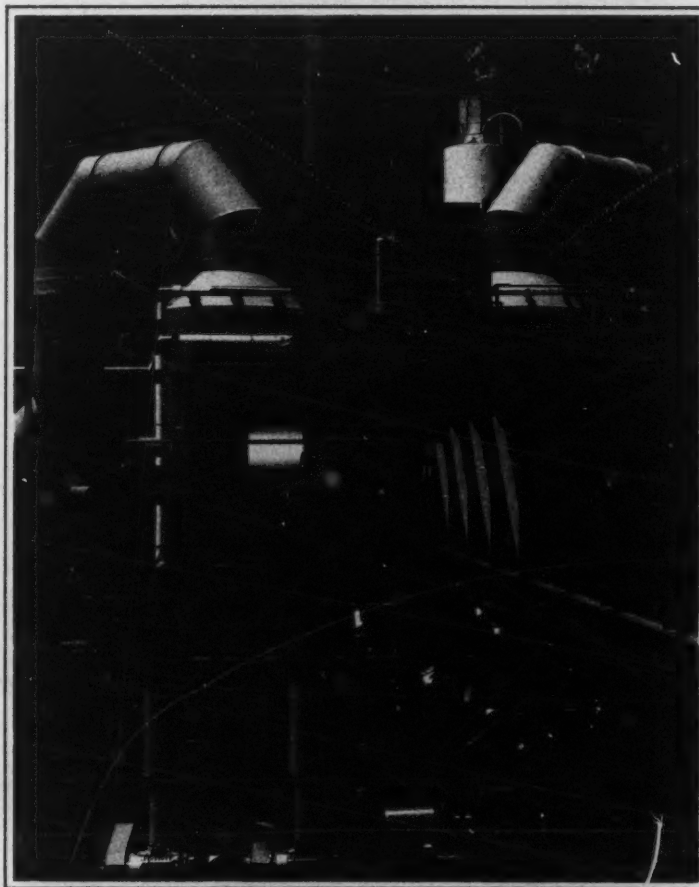
### Fed role

The federal government's role in this nuclear safety regulatory confidence recovery is essentially embodied in the administration's "Nuclear Licensing and Regulatory Reform Act of 1983." The bill is promoted on the basis that it would provide NRC approval of suitable sites prior to filing of construction permit applications, would authorize the use of optional standardized designs for entire plants or major subsystems, and would provide "a disciplined process for requiring equipment modifications on new and existing plants."

The bill reportedly would additionally offer an optional combined construction and operating license, and improve the public hearing process.

"Their combined effect," the administration maintains, "will provide a more rational and integrated approach to nuclear licensing, resulting in improved safety, reduced costs, and, it is hoped, renewed public confidence in the reliability of nuclear-generated electricity."

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## Senate cuts Clinch River Breeder lifeline

Don Minner  
Assistant Editor

WASHINGTON, D.C.—The Senate finally pulled the plug on the gasping Clinch River Breeder Reactor project in Tennessee.

Proponents of Clinch River called the 56-40 vote to stop providing funds for the reactor "shocking" and "overwhelming." A Department of Energy spokesman said Secretary Donald Hodel was "disappointed" with the vote and that the department "would proceed with an orderly termination of the project."

Ever since the project was authorized in 1970, it has been the target of fierce opposition. Opponents said it was unnecessary and too costly. Approximately \$1.7 billion has been spent on site work and estimates to complete the project have ranged from DOE's \$4.1 billion to opponent estimates of more than \$8 billion.

Supporters always have claimed that the breeder would help America to become more energy independent.

The project's fate rested on an alternative financing plan devised by Sen. James McClure (R-ID). The plan called for the government to appropriate \$1.5 billion and for other sources to come up with \$1 billion.

In mid-October, the Senate Appropriations Committee approved the plan, 18-10, but it wasn't as easy when the measure reached the Senate floor a week later.

When the floor vote reached 50 against funding on Oct. 26, Sen. Howard Baker (R-TN), the project's main

sponsor, finally threw in the towel and released other senators committed to Clinch River. "The Senate has spoken," he said. "I will not prolong the debate."

Lobbying efforts by Baker kept the project alive last year by a one-vote margin. Some felt that his decision not to seek re-election to the Senate may have had an influence on the measure's defeat.

One of Clinch River's most vocal critics, Sen. Dale Bumpers (D-AR), said, "In five years, I've never had a victory this satisfying. The breeder reactor is an out-moded technology. It was never economically viable and the new financing plan was a sham."

A spokesman for Sen. Bumpers said the decision to stop funding probably killed the project forever and that it would probably not be brought up again.

Nuclear Safety Analysis Center Director A. David Rossin, a vocal and ardent supporter of Clinch River, said he was concerned about the effect the cancellation would have on future nuclear reactor orders. "If we don't see breeders in the future, we'll have very few orders for new reactors," he warned.

Rossin said there is presently enough uranium to meet the needs of operating and planned nuclear units, but that the resource is finite. If the U.S. doesn't have a breeder operating or in the works, he suggested, many utility executives will find it extremely hard to commit to a nuclear plant in the future.

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## Marble Hill future hazy as Indiana governor seizes planning initiative

**Talk of cancellation accompanies cost rises, scheduling delays**

INDIANAPOLIS—After announcing scheduling delays of up to two years and cost escalations of nearly \$2 billion, Public Service Indiana has gone into a holding pattern on its two-unit Marble Hill nuclear plant.

A tough cash-flow squeeze; the cutting off of a rate control plan submitted by PSI to the Indiana Public Service Commission aimed, in part, at relieving some of the company's burdensome financial pressures; and the capturing of policy initiatives by the Indiana Governor's Office has left the midwestern utility foundering in a sea of corporate uncertainty.

For the first time, government officials are raising the possibility that the entire two-unit station may be cancelled. PSI, however, continues to argue for completion. "We still want to finish both units," the company's Julie VanUtt said.

To date, some \$2.2 billion has been invested in the plant. Public Service Indiana owns 83 percent of Marble Hill; Wabash Valley Power Association owns the other 17 percent. Unit 1 is about 55 percent complete; unit 2 is almost 35 percent complete.

The two-year delay in construction of the plant pushes start-up of the two units to December, 1988, and January, 1990, respectively. The estimated cost revision moves the previous estimate of \$5.1 billion to \$7 billion, and some see the costs rising even higher.

**Governor to PSC: Hold off**

As late as August, PSI had complied with a Public Service Commission order to submit a plan directed at avoiding the large rate shock that is expected when the Marble Hill units

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## Summer heat boosts 3rd quarter utility revenues

BARRINGTON, IL—Record-breaking summer temperatures and continued industrial output growth helped boost third quarter electric utility kilowatt-hour sales, operating revenues and earnings per share.

According to data taken from Edison Electric Institute weekly reports, kilowatt-hour output rose 9 percent in the third quarter of this year, compared to 1982.

A random sampling of 34 electric utility third quarter financial statements also revealed that many experienced marked improvements in operating revenues, electricity sales and earnings per share.

Utilities weren't the only beneficiaries of the improving economy. Increased consumer spending helped to increase profits in pharmaceuticals, consumer electronics and home appliances. Higher profits were also reported by the railroad, aerospace, chemical and publishing industries.

The U.S. Dept. of Commerce reported a 7.9 percent annual rise in the third quarter real gross national

product, compared with a 9.4 percent rise in the previous quarter. Commercial Credit Company commented that the new figure "represents strong growth."

"The increase in third-quarter real output reflects both an increase in final sales and a swing in inventories to accumulation in the third quarter from liquidation in the second," said the Commerce Department.

**Other Indicators favorable**

Other indicators pointed to a continuing economic recovery. The Index of Industrial Production, which measures the physical output of the manufacturing, mining and utility sectors, increased 1.5 percent in September—the tenth consecutive monthly rise.

Continental Bank said in a newsletter that "The continued strength in September confirms that a broad-based business recovery now is well-established, and, based on trends seen in previous economic recoveries,

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